| | |
|---|---|
| Brent | **Cabinet**<br>27 July 2015<br><br>**Report from the Strategic Director of Regeneration and Growth** |
| | Wards affected:<br>Stonebridge |

# Bridge Park – to enter into Heads of Terms

Appendices 3, 4 and 5 are Not for Publication

## 1. Summary

1.1 This report follows on from the two previous reports (see Background Papers) presented to the Executive on the subject lands Unisys and Bridge Park Community Leisure Centre (BPCLC) as per the site plans at appendices 1 & 2.

1.2 This report provides an update for Members and seeks agreement to enter into Heads of Terms with General Mediterranean Holding SA ("GMH") as Guarantor and Harborough Invest Inc as Property Owner, to sell part of the land owned by the London Borough of Brent at BPCLC to fund the design and build of a new leisure centre paid for out of the proceeds of sale and advanced Community Infrastructure Levy (CIL).

1.3 Following entering the Heads of Terms this report sets out the next steps.

## 2. Recommendations

That the Cabinet:

2.1 Delegate authority to the Strategic Director of Regeneration and Growth in consultation with the Chief Finance Officer and Chief Operating Officer to finalise negotiations and enter into Heads of Terms with General Mediterranean Holding SA as Guarantor and Harborough Invest Inc as Property Owner in substantially the form set out in Appendix 3 of this report.

2.2 Delegate authority to the Strategic Director of Regeneration and Growth in consultation with the Chief Finance Officer and Chief Operating Officer to enter into negotiations, finalise and enter into a land sale agreement with General Mediterranean Holding SA and Harborough Invest Inc.

## 3 Detail

3.1 Bridge Park Community Leisure Centre (BPCLC) as detailed at Appendix 1 is a former bus depot that was converted in the 1980's into a Leisure Centre with dry side sports, function hall, conferencing and meetings rooms along with business units for rent using GLA funding and has been managed by the Council for at least the last 13 years.

3.2 Bridge Park has four main elements: a sports hall and associated health and fitness facilities, a large community hall with catering and conference rooms, a number of business units and Technology House - a separate office block that is leased out by the Council from which a children's nursery and church group operate.

3.3 Both BPCLC and Technology House have a backlog of repairs and need significant future investment to bring them up to modern standards.

3.4 The ex-Unisys site (adjacent to BPCLC) is owned by Harborough Invest Inc (Harborough) the site has sat empty and derelict for around 17 years.

Heads of Terms

3.5 At the Executive on 17th June 2013, the Executive resolved:

> "That agreement be given to the draft Heads of Terms as set out in appendix 3 of the report from the Director of Regeneration and Major Projects to form the basis of the detailed sale agreement between the council and GMH and instruct the Director of Regeneration to complete terms for a land sale between GMH, its subsidiary company and the council as set out in Appendix 3 subject to suitable parent company guarantees to the satisfaction of the council." (The subsidiary company referred to was Tucan Investments Plc at the time of the 2013 report).

3.6 Since the June 2013 Executive, negotiations with GMH have been ongoing through their agent Nick Shattock Real Estate (NSRE) (now Chainwork Capital Limited) to ensure that the Council receives best value for its land. As a result the Heads of Terms have changed and it is proposed that the Strategic Director of Regeneration and Growth concludes negotiations and enters into Heads of Terms with GMH & Harborough Invest Inc in substantially the form set out in Appendix 3 of this report.

3.7 The current proposal comprises that on the land to be developed by GMH and its subsidiary Harborough, 505 new homes, a hotel and one new commercial unit be provided (which may be subject to change as scheme design is further developed).

3.8 It is proposed that GMH will procure its own consultants and contractors, joint venture partners and affordable housing provider and the Council will procure its own consultants and contractors to build out the Leisure Centre. GMH will pay its own costs and also pay for the Council's professional fees.

3.9 On completion of sale, the council will leaseback the existing leisure centre on a peppercorn rent for 30 months and will continue to operate until the new leisure centre is built and ready for operation, subject to a long-stop of 41 months from completion of sale (with conditions as detailed in appendix 3). Details of proposed ownership after the land sale and CPO are detailed at Appendix 2.

3.10 The Council will continue with compulsory purchasing the site known as the 'car breakers yard' appendix 1 and GMH will underwrite these costs up to a cap as detailed in Appendix 3. Negotiations with the land owner to date have proven to be difficult and land value expectations have been very much in excess of the valuation advice the Council has received.

3.11 The Heads of Terms continue to assume advanced CIL. The advanced CIL is no longer limited to the first two phases of the development as the combined Minimum Land Receipt and advanced CIL will be the cost of the Leisure Centre (as per details in appendix 3).

3.12 A principle change since the matter was last considered by the Executive is that GMH have indicated that their subsidiary will be Harborough and no longer Tucan Investments Plc. GMH have explained that it would be sensible for the landowner to be party to the agreement rather then a new development vehicle. The Council has checked landownership details with land registry and this confirms the owner as Harborough Invest Inc of 364-366 Kensington, High Street, London W14 8NS from 22nd April 1998.

3.13 The current Heads of Terms now has a Minimum Land Receipt (as per details in appendix 3) which is approximately 30% greater than reported in 2013.

3.14 The current Heads of Terms are more detailed than the previous Heads of Terms providing more detailed information on for example: The Legal Structure and Conditions Precedent, Overage, Affordable Housing and the Construction Programme including the obligations on GMH.

Affordable housing

3.15 Current planning policy requires a target of 50% affordable homes subject to development viability. This development will be looking at a much lower percentage level due to the need to provide a capital receipt and advance CIL to fund a new leisure centre. The offer from GMH is therefore on a sliding scale – see Appendix 3 & 5.

Termination provisions

3.16 The final price will be determined as the site goes through planning, with provision in heads of terms for a financial review pre-planning and at planning consent stage with the ability to walk-away by either party.

Leisure Centre

3.17 Since the last report progress, planning consent has been granted for a replacement sports centre with a new swimming pool at Moberly, in the south of the borough. In addition the previously consented Dexion House scheme is also coming forward at Wembley and this too incorporates a swimming pool.

3.18 All options presented to the Executive in February 2014 (including the preferred option – Option 3) showed the revenue expenditure exceeds the income and there would still be a revenue cost to the Council. The revenue subsidy required for a new swimming pool as part of the preferred Bridge Park scheme is estimated at £369,542. See table below:

| | | **Net Annual Running and life cycle costs (£)** | **Additional annual revenue costs above the cheapest option with lifecycle (£)** |
|---|---|---|---|
| Option 1 - | base case | 224,065 | 4,906 |
| Option 2 - | base case plus pool | 373,954 | 154,795 |
| Option 3 - | the pool replacing function hall | 369,542 | 150,383 |
| Option 4 - | no pool but 5a side pitch on roof | 219,159 | 0 |
| Option 5 - | no development and refurbish the existing centre | 966,547* | 747,388 |

3.19 Further work will be undertaken in an effort to reduce this subsidy requirement in the light of the ongoing pressures on local government finances.

Next steps

3.20 The following table outlines the intended next steps:

| |
|---|
| Land Sale Agreement Negotiation |
| Negotiation/CPO Process for Car Breakers Yard |
| Officer Review Mix within Leisure Centre |
| Procurement Approach Agreed to allow for Architect and Professional Team appointments |
| Planning Application Submission |
| Start on Site |

## 4 Financial Implications

4.1 The capital cost to build the Leisure Centre is proposed to be funded from the derived land receipt and advanced CIL. As such, delivery of the project is entirely dependent on adequate land sale receipts and advance CIL payments being received from GMH. Should either fall short of anticipated levels or should there be a cashflow issue then the differential in cost would need to be financed from an alternative source which could have additional budgetary implications and would be subject to Cabinet approval.

4.2 The figures for the capital build are as of 2013 and would need to be retested to assess affordability in respect of the derived land receipt and advanced CIL.

4.3 The Council employed Deloitte LLP to determine if a proposed disposal of the Council land to GMH, represented best consideration to the Council. Deloitte LLP concluded that the proposal as at June 2014 did not represent best consideration to the Council.

4.4 Deloitte LLP re-engaged with GMH, via their agent NSRE to seek in principal agreement to the various development costs, revenues and timescales. This exercise resulted in the Council receiving a revised offer from GMH as at September 2014. As a result of the discussions between DRE and NSRE, Deloitte LLP conclusion was that whilst they did not necessarily agree with all of the points raised in the NSRE offer letter, the revised GMH offer for the Land at Bridge Park was above that of Deloitte LLP revised opinion of value (Appendix 4).

4.5 On-going Leisure Centre revenue costs will, at a minimum, be retained within current budget allocations. However, work is ongoing to see if the on-going revenue costs required can be removed to allow for the Leisure Centre to operate without any funding from the Council.

**Financial Status Checks**

4.6 General Mediterranean Holding SA and Harborough Invest Inc are both in overseas ownership and not registered at Companies House. As such the process for carrying out financial checks on these companies cannot be completed in the normal manner and the required financial information in an appropriate format is awaited. Finalisation of negotiations and entering into Heads of Terms with these companies will be subject to confirmation of satisfactory financial standing.

## 5. Legal Implications

5.1 The Council has a statutory duty under Section 123 of the Local Government Act 1972 to obtain best consideration for the disposal of land save in respect of a lease of 7 years or less OR where the Secretary of State has given its consent.

5.2 Disposals on the open market by auction, marketing agent or to a special purchaser by way of private treaty following an independent market valuation will satisfy the best consideration requirement ensuring the site has been properly exposed to the market. This is a disposal to a special purchaser where the independent market valuation was undertaken by Deloitte Real Estate.

5.3 The council's statutory duties in relation to sport and leisure provision are engaged under s19 (1) of the Local Government (Miscellaneous Provisions)

Act 1976 which gives a local authority the power to provide such recreational facilities as it thinks fit. Given a local authority has discretion as to the nature of the recreational facilities it provides, the council is permitted to select any of the proposals subject to consultation that confirmed the preferred option as Option 3.

5.4 The decisions made by the Executive in June 2013 in regards to the Compulsory Purchase Order (CPO) to acquire the freehold interest and other relevant legal interests of the Car Breakers site continues to remain relevant.

5.5 The decision of the Executive in June 2013 did not give the Director of Regeneration the authority to continue to negotiate the Heads of Terms. As it has not been possible to conclude negotiation on all elements of the Heads of Terms, this report seeks approval to delegate authority to the Strategic Director of Regeneration and Growth in consultation with the Chief Finance Officer and Chief Operating Officer to conclude the Heads of Terms negotiations and to enter into both Heads of Terms and land sale agreement.

## 6. Diversity Implications

6.1 An equality analysis was completed for the February 2014 Executive report in regards to the Leisure Centre options. An equality analysis focusing on entering into the Heads of Terms has been completed; this does not revisit the Leisure Centre options equality analysis.

6.2 The proposals show that there will be an overall positive impact as a result of the redevelopment. The redevelopment will provide a new state of the art leisure centre, with the current leisure centre staying open whilst the new one is built. New homes will be built and there will be potential employment opportunities through the build stage or within the new hotel. The deal with GMH will bring about the redevelopment of the Unisys site, which has stood empty for more than a decade and bring about an improved local environment. Stonebridge ranks as the lowest ward in terms of median household income and has the only traveller site within the borough located in the ward. As such providing improved facilities and investment into the area should have positive impacts for the community.

6.3 There will be adverse impacts as part of the redevelopment, which are discussed below and in detail in the attached Equality Analysis.

6.4 The redevelopment will require the acquisition of the car breakers yard site which will have an adverse impact on the owner and those who work on the site. As this would be an acquisition through either negotiation or CPO there would be a financial payment.

6.5 As business space and large meeting room space is not being re-provided, this will have an adverse impact on those utilising this space. Particularly this will have an impact on “religion or belief” with a number of religious groups utilising commercial space or space within the centre. There is also a nursery which uses the business space and a group called PLIAS which primarily targets offenders and ex-offenders, in order to support their re-reintegration back into society. The previous equality analysis identified community space within a three miles radius which those utilising the function hall/meeting room space could use. In total there are around 20 individuals/organisations using the business space at Bridge Park (including 4 Council departments). The Council will seek to help sign posts business organisation to available premises, but any premises the Council had would need to be openly marketed. It should be noted that the business units are not fully occupied with 9 units vacant and 3 under offer out of 42 units.

6.6 Through pursing a deal with GMH the Council is not releasing the option of disposing of the Council land to the market and not giving other organisations the chance to bid for the opportunity if this had been available on the open market. The land price has been robustly tested in order to align with best market price and external consultants to Brent have undertaken detailed development appraisal, valuation and sensitivity testing work confirming the GMH & Harborough proposal to represent best value. A big positive of this transaction is that it brings momentum and is a catalyst to redevelopment of the land standing empty – the former Unisys buildings. External Stakeholders will have the opportunity to bid for work on the Leisure Centre.

6.7 The equality analysis has identified that there is a lack of information on the equality characteristics of those using the function hall and meeting room space and the business space users. The Council will seek to gain equality information to better inform the redevelopment going forward, and to be able to assist those who are affected.

## 7. Staffing/Accommodation Implications (if appropriate)

7.1 Bridge Park is now showing its age and is difficult to manage because it is a converted bus garage. Because entry is difficult to control at peak times and the building is not alarmed, security staff have to be employed. Any new centre would have new and up-to-date facilities and proper controlled access would increase security.

7.2 If the existing centre is kept open until the new one opens, then there would be no implications to staff that operate the new centre. If it were subsequently decided to outsource service provision at any new centre then TUPE arrangements would apply.

## 8. Background Papers

8.1 17th February 2014 Executive - Proposed Redevelopment of Bridge Park Community Leisure Centre

8.2 17th June 2013 Executive - Bridge Park-Redevelopment Proposals

## 9. Appendix

1. Bridge Park Current Ownership
2. Bridge Park Ownership After Land Sale and CPO
3. EXEMPT Heads of Terms

4. EXEMPT Deloitte LLP Best Value Letter
5. EXEMPT Affordable Housing
6. Equality Analysis

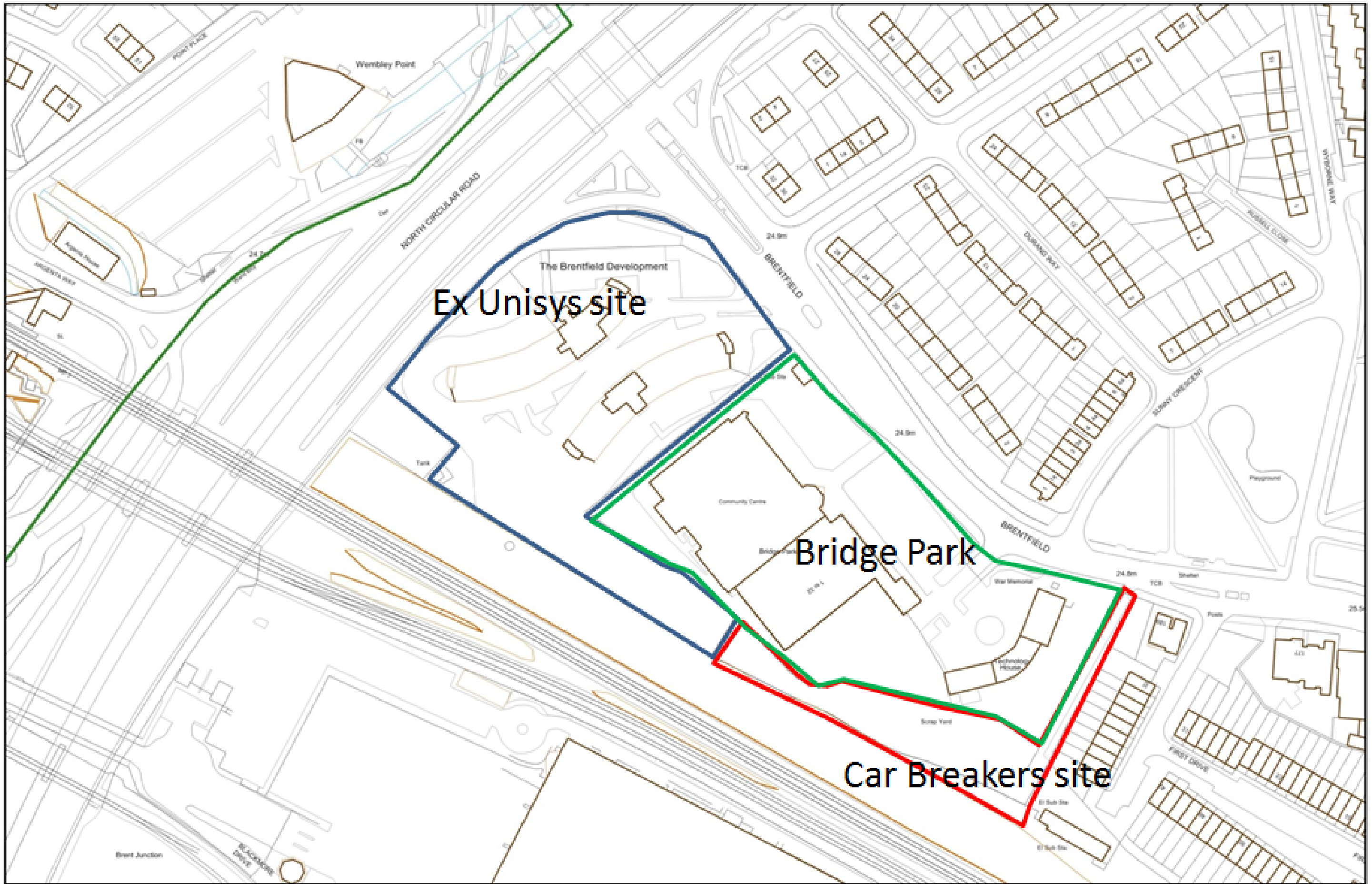
**Contact Officers**

Sarah Chaudhry
Head of Strategic Property
0208 937 1705
Sarah.Chaudhry@Brent.gov.uk

Richard Barrett
Operational Director of Property & Projects
0208 937 1330
Richard.barrett@brent.gov.uk

ANDREW DONALD
Strategic Director of Regeneration & Growth

Appendix 1 Bridge Park Current Ownership





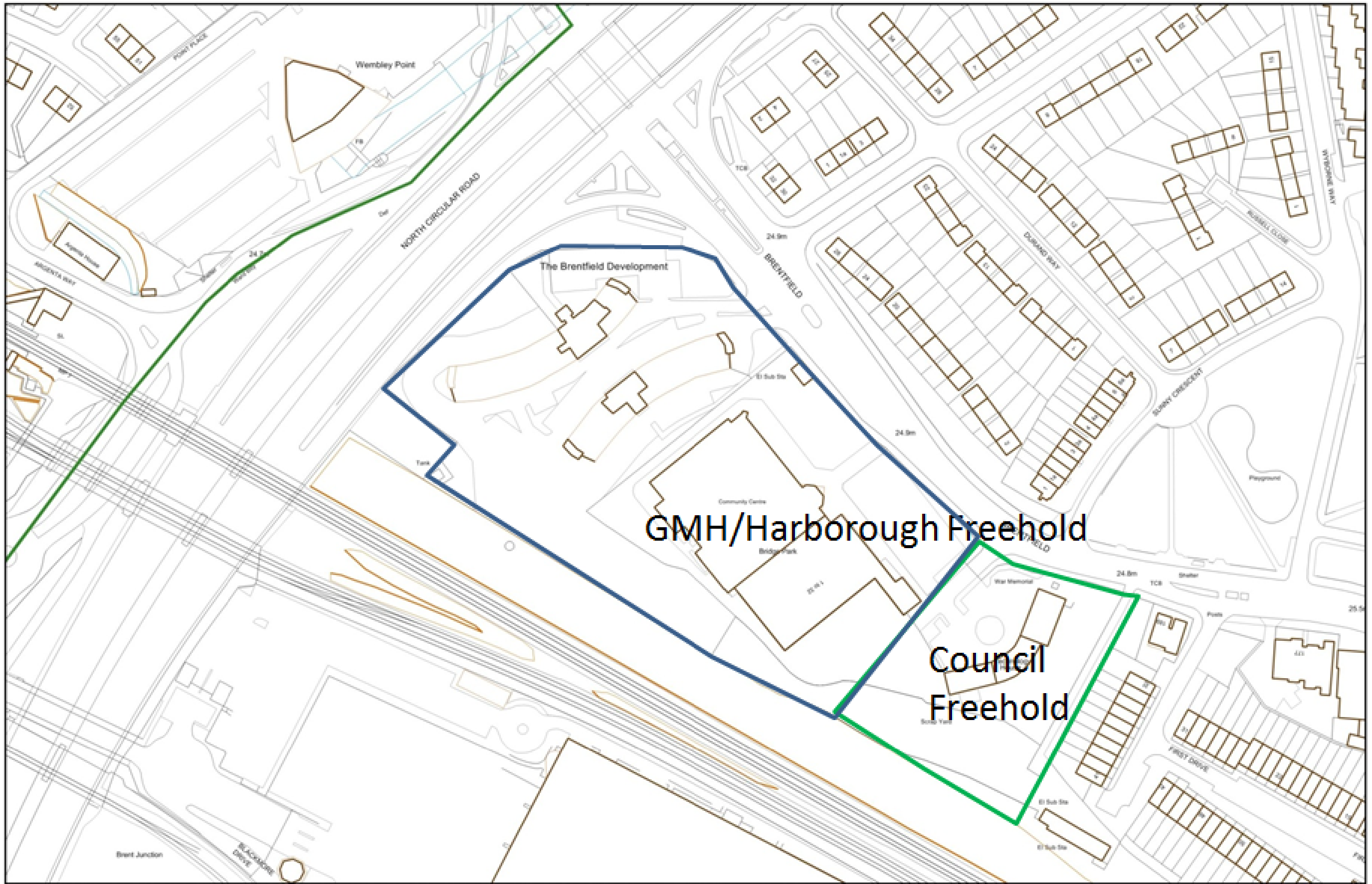

0 0.025 0.05 kilometres

1:2000

23 May 2013

Brent

Appendix 2 Bridge Park Ownership After Land Sale and CPO






0 0.025 0.05 kilometres

1:2000

23 May 2013

Brent